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ABSTRACT

This report describes briefly perfcrmance contracts; discusses their shortcomings, pitfalls, and advantages; and gives some insight into the future development of this new concept. Two shortcomings of performance contracting include (1) teaching to the test and (2) board abdication of its responsibility for making final decisions about educational policy. Advantages relate to the potential for better accountability. The author sees promise for the idea cf perfcrmance contracting, but admits that board members and superintendents will have the power to decide if this new concept will endure. (JF)

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WHITHER PERFORMANCE CONTRACTING?

There is a recent arrival on the educational scene which is garnering increasing attention by school boards, administrators, commercial educational services and organized teacher groups. It is doubtful that this new idea is as yet very much in the consciousness of the public but this is only a matter of time.

Performance contracting is in the embryo stage of development. Indeed these remarks, of necessity, draw heavily on the very limited information thus far reported on the topic. Two or more years ago it was virtually unknown and yet last August a national conference on this topic drew some 200 people to Chicago from every corner of the country. And the people who attended were from nearly every facet of the educational enterprise. (Representatives from School Boards, Superintendents, University Administrators, Psychologists, NEA, AFT, USOE, etc.) "Performance contracting", as a concept, has evoked keen national interest .....geographically and politically. (USOE - Dr. Lessinger)

But what is it? While numerous different contracting arrangements have been and are currently being drawn, the performance contract essentially provides for the commercially oriented firm, outside the local system, to undertake educational missions varying from raising the reading level of a particular student group a specific amount, to taking over the entire operation of a full size elementary school and accomplish a set of stipulated educational goals. If the contractor achieves the goals in the time specified, he is paid the contracted price. If he exceeds the goals specified, he may be paid more than the contracted price. If he does not achieve the goals specified, he would receive something less than the contracted price and may

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even (in the worst extremes) owe the local system money. The contractor might use its own personnel and other resources, it may use personnel in the local system, or it may combine the two in some way. Determination of whether the contractor has met the goals involves evaluation through pre-testing, post-testing, etc., by an "outside educational audit" as determined by the local system.

I could recite the many details of the few contracts presently in effect, however, these few comments might suffice.

CURRENT STATUS

The current status of performance contracting is described in this week's issue of AASA Hot Line as constituting a "bull market". "Hot Line" reports an increasing number of school districts are considering the prospect of "farming out part of their responsibilities to private firms in return for a money-back guarantee to increase student learning". The Office of Economic Opportunity is financing a project in which six private companies will sign "produce or else" contracts with 18 school systems across the country.

The $5.6 million, one year trial, to begin this fall, aims at boosting the reading and math skills of an estimated 10,800 youngsters from low-income families, in grades one to three and seven to nine. I would like to predict the results, if positive at both levels, will be most dramatic in grades 1-3).

(OEO claims that random selection of a variety of tests will prevent the kind of irregularities that have marred the widely publicized Texarkana project, in which Dorsett Educational Systems was the contractor.)

The six private contractors will use an extensive assortment of educational hardware and teaching materials, plus special incentives for students and teachers. Students may get trading stamps or free time; teachers may get cash bonuses.

In addition, OEO will choose three other school systems, with a total of about 1,080 students, to test the effects of the schools' own use of such incentives without contracting with outside companies. And still another 15,580 youngsters will be watched for comparison with those directly involved in the 21 projects.

A private company is taking over the entire operation of an elementary school in Gary, Indiana for the next four years, even paying rent on the building.

The Gary school system will pay Behavioral Research Laboratories $800 per student - the current cost to the city of educating a child - to reorganize the all-black Banneker Elementary School, where students have been performing from two months to two years below grade level in a variety of subjects.

The school will be run by a manager, with a learning director reporting to him instead of a principal. B.R.I. will hire a staff of about 30 instructors, plus 20 paraprofessionals. Of the instructors, five will be chosen as curriculum managers to specialize in the areas of reading and language arts, mathematics, social studies and foreign languages, science, and enrichment (arts, music, drama, physical education). Individual instruction will be stressed in all subject areas.

According to the agreement, B.R.I. will guarantee that each student's achievement scores will be at or above the national grade-level norms in all basic curriculum areas or will refund to the city the fees paid for the child.

An independent agency will evaluate the results after three years; a second evaluation will follow.

I refer you to the August 21 issue of PSBA's Information Legislative Service for a more extended report on the OEO proposal.

PITFALLS AND CRITICISM

A serious blot on the budding image on performance contracting, occurred with the first major thrust in this new direction. The Texarkana school system apparently has concluded that 30 to 100% of the questions used in the final test were contaminated because they had been contained in class-room content. The contractor, Dorsett Educational Systems, who was to be paid in proportion to success in improving reading and math ability claimed only 6% of the test questions were ineffective.

The NEA, says performance contracting encourages teaching for the test, tends to weaken the structure of the public schools and discredits them in the eyes of the public. They further contend that the schools, given the same dollar amounts and contract stipulations, could produce the same results. While the AFT has come out against this "educational gimmicktry" Albert Shanker has expressed interest in union participation in this new field. Harold Webb of the NSBA cautions that we are not yet sure what constitutes meaningful and measurable gains suggesting that goals will need to be more clearly developed wherever performance contracting is entered into. He quotes further that school boards cannot abdicate to private contractors, to teachers, or to anyone else, the legal obligations to make the final decisions about prudent public policy and effective educational plans.

SOME ADVANTAGES

Advantages claimed relate mostly to the potential for better accountability. In Mr. Webb's words "The school board member, as a chief decision maker for one of the most dynamic institutions in society, now must establish standards of behavior, patterns of relationships, and measurements of the quality and quantity of the teaching/learning process". "Our public schools enroll more than 44 million students, employ nearly two million teachers,

and account for the expenditures of at least $35 billion in tax monies each year. We have all kinds of measurements on where this money goes ..... but we have virtually no measurement of the results that such an enterprise yields."

School board leaders can now be heard arguing that teachers, individually and collectively, have a performance obligation; that performance levels need to be specified and written into contracts; that communities have a right to expect their teachers to produce; and that outcomes can be spelled out, measured and introduced as items in good faith negotiations. Perhaps the profit motive will make the difference in attracting the good, creative, effective teachers away from reliance on the automatic sharing of the salary pie.

FUTURE

There is little doubt that you school board members and superintendents, being public educational policy makers, will in the long run decide whether this new concept will become firmly imbedded in the educational enterprise or whether it will follow a fate similar to E.T.V., C.A.I., etc. Clearly there is a very strong relationship between the techniques involved in performance contracting and accountability. We can learn much from this relationship.

Two major obstacles which have had to be overcome: Means by which proof of performance can be measured or demonstrated and procedures for an effective independent education audit.

Mr. Webb pointed out two developments upon which performance contracting might grow, as a necessary response: "1. Teachers in general have turned their primary commitment, the education of children, into their own occupational interest. 2. A demanding vocal public is calling for some meaningful and measurable educational results."

Further the United States Chamber of Commerce is expecting that in the year 2000, salaries, construction and other educational expenditures will account for one dollar out of every four dollars spent, while USOE foresees educational generating 25 percent of a $2.4 trillion CNP in the same year. (Today education represents about 6 percent of a GNP of less than $1 trillion). If one can imagine the scope of an increase in annual support for the whole educational enterprise from 60 billion to 600 billion in 30 years, the best ways of using such resources must take on profound importance. In line with this, an effort to provide guidance for school districts contemplating the use of performance contracting, HEW has awarded a $300,000 grant to the Rand Corporation to produce a guidance book based on a study of all existing and planned projects.

Some projected opinions:

(a). Varied arrangements will probably be used for deep-seated problems, i.e. where normal or average school system resources can't succeed.

(b). Some by-products or spin-off benefits will include a better means of planning, organizing, evaluating and accounting.

(c). More efficient use of personnel and physical resources. Combine these two sets of spin-off benefits and we see an enhancement of the classical administrative functions.

(d). Improvements in educational hardware technology.

(e). New applications may well reveal ways for local districts to get out from under the yoke of salary schedules through payment for results or performance rather than just another year on the job.

I believe performance contracting holds much promise.

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Superintendent